

**Notice No.:** 97-006

**Date:** September 23, 1997

**Applies to:** All TRS Employers

**Subject:** Processing the 40 Percent Transfer Payments

This notice contains information regarding Teachers' Retirement System (TRS) Plan 2 to Plan 3 transfers and the 40 percent transfer payment process. This information will provide guidelines for:

- the deadline for submitting the transfer record to the Department of Retirement Systems (DRS) via the monthly transmittal report;
- the response(s) to member questions regarding the 40 percent transfer payment; and
- the allocation of the transfer payment to eligible member accounts (including substitute teachers and members on leave of absence).

## **Background**

During the 1997 legislative session, the TRS Plan 3 transfer payment was increased from 20 percent to 40 percent of a member's January 1, 1996, TRS Plan 2 accumulated contributions. In May 1997, all active TRS Plan 2 members received a direct mailing that gave them their estimated 40 percent transfer payment based on their January 1, 1996, estimated account balance.

## **Members Who Qualify**

TRS Plan 2 members will receive the 40 percent transfer payment if the following conditions are met:

- members submit a completed TRS Plan 3 Member Information form to their employer(s) before January 1, 1998; and
- service credit (partial or whole) is earned for the month of January 1998.

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TRS Plan 2 members working as substitute teachers will receive the 40 percent transfer payment if the following conditions are met:

- any amount of service credit is earned from July 1996 through December 1997;
- service credit (partial or whole) is earned for the month of January 1998; and
- a completed TRS Plan 3 Member Information form is delivered directly to DRS on or before March 1, 1999.

Please see RCW 41.32.8401 for the complete definition of the additional requirement.

**Note:** Public Employees' Retirement System (PERS) Plan 2 members with service credit earned, while working as an educational staff associate, are eligible for the 40 percent transfer payment. Any individual who fits this description should contact DRS directly at (360) 709-4700.

## Questions and Answers

The following questions and answers will help you respond to member inquiries regarding the 40 percent transfer payment.

### Service Credit

**Q1:** How much service credit must the member earn in January 1998 for the purpose of receiving the 40 percent transfer payment?

**A1:** One month of service credit (partial or whole) earned in January 1998 is one qualifier for the 40 percent transfer payment. Refer to service credit rules outlined in Chapter 41.32 of the *DRS Employee Handbook*, page 10 of the *TRS Plan 3 Member Handbook*, and RCW 41.32.010.

### Completing the Transfer Process

**Q2:** How does a member initiate the transfer process in order to receive the 40 percent transfer payment?

**A2:** The member must obtain the TRS Plan 3 Member Information form from his or her payroll office. The form must be completed and submitted to the payroll office before January 1, 1999. The employer will complete the transfer process by reporting the member's date and other applicable information to DRS via the monthly transmittal report.

**Note:** For substitute teachers, or educational staff associates who are members of PERS, the transfer process will be completed by the DRS, TRS Section. These members should contact the TRS Section directly at (360) 709-4700.

**Q3:** When is the employer's deadline for receiving the TRS Plan 3 Member Information form from the TRS Plan 2 member who wishes to qualify for the transfer payment?

**A3:** The employer must receive the TRS Plan 3 Member Information form before January 1, 1998, in order for the member to qualify for the transfer payment. See RCW 41.32.8401(1).

**Q4:** When should employers report transfer information to DRS?

**A4:** DRS must receive all transfer data from the employer no later than January 1998 monthly transmittal report to ensure timeliness when processing member's earning information. Late reporting will result in a potential loss of earning credit to member's account, and the member will not have access to funds to which he or she is entitled.

**Note:** Effective January 1998, active members of TRS Plan 2 can transfer to TRS Plan 3 only during January of each year. Any transfers with a transfer date of January 1, 1998, or later, will not be eligible for transfer payment.

**Q5:** Is there any reason for a TRS Plan 2 member to delay transfer?

**A5:** There is no advantage to waiting until December 1997. If TRS Plan 2 members have decided to transfer, DRS recommends that members start this process as soon as possible.

## Substitute Teachers

**Q6:** How does a TRS Plan 2 substitute teacher initiate the transfer process?

**A6:** The substitute teacher must submit quarterly reports for the previous school years, with a request to transfer directly to DRS by September 1 of each year. DRS will create an optional TRS Plan 2 contribution rates, and mail the billing and the TRS Plan 3 Member Information form to the member. Payment and the completed TRS Plan 3 Member Information form must be returned to DRS.

**Q7:** How does a substitute teacher qualify for the 40 percent transfer payment?

**A7:** To receive the 40 percent transfer payment, substitute teachers must meet the following criteria:

- establish any service credit from July 1996 through December 1997;
- establish service credit (partial or whole) for January 1998; and

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- elect to transfer to TRS Plan 3 on or before March 1, 1999.

To purchase optional substitute teaching time, substitute teachers must write to DRS, Attention: TRS Section, P.O. Box 48380, Olympia, WA 98504-8380.

## Leave of Absence

**Q8:** Will a TRS Plan 2 member who transfers to TRS Plan 3 before January 1, 1998, who is on an authorized leave of absence from an eligible position in January 1998, receive the 40 percent transfer payment?

**A8:** Yes, if the member earns service credit for January 1998. The member, upon returning to work in an eligible position, must request to purchase the service credit for the period he or she was on leave of absence. The entire period of the leave of absence must be purchased, not just January 1998. The member must contact DRS to initiate this process. If DRS determines that the time is purchased, the member will receive an optional billing from DRS for both the employer and employee contributions, including interest due on the employer contribution for this period.

The transfer payment will be applied to the member's account when the optional bill is paid in full. Please contact the DRS TRS Section at (360) 704-4700, for additional information on purchasing optional service credit.

**Q9:** If a TRS Plan 3 transferee is on an authorized leave of absence from an eligible position, but substitutes in January 1998 for a different employer, is the member eligible for the 40 percent transfer payment?

**A9:** Yes. If the member is employed in a TRS eligible position, all time worked should be reported to DRS via the quarterly transmittal report. The employer must report the position, contribution, and hours for time worked while in an eligible position. The employer should NOT provide this member with a quarterly substitute teacher report. Refer to WAC 41.32.010(37)(c).

**Note:** While the member is on an approved leave of absence from an eligible position, the employer must report a status code "B" for the appropriate earning periods.

If a TRS Plan 3 transferee is on an authorized leave of absence from an eligible position, but substitutes in January 1998 for a different employer, is the member eligible for the 40 percent transfer payment?

**A10:** Yes, but the member would be considered a substitute teacher. Refer to Answers 6 and 7 for further information. An employer should provide the member with the appropriate quarterly substitute teacher report.

**Q11:** A TRS Plan 2 member is on an authorized leave of absence and transfers to TRS Plan 3 prior to January 1, 1998. The member returns to an eligible position during January 1998. Is this member eligible for the 40 percent transfer payment?

**A11:** Yes. The member transferred to TRS Plan 3 before January 1, 1998, and earned service credit for January 1998.

## **Processing the Transfer Date and Transfer Payment**

**Q12:** What should a TRS Plan 2 member who works in eligible positions for more than one educational employer do to start the transfer process?

**A12:** The member must complete the TRS Plan 3 Member Information form and submit the form to both employers.

**Note:** Both employers must report the transfer and provide the necessary information in TRS Plan 3 to DRS. This will ensure that transfer information and contributions are transferred to TRS Plan 3.

**Q13:** On what account balance will the 40 percent transfer payment be calculated?

**A13:** In May 1997, all active TRS Plan 2 members received a direct mailing that gave them their estimated 40 percent transfer payment based on the January 1, 1996, estimated account balance. Please give the member the TRS Plan 3 Member Information form, TRS Section, at (301) 209-4700 if he or she needs additional information.

**Q14:** How is the transfer payment processed?

**A14:** DRS will make the initial transfer payment to each member account upon completing the payment in the January 1998 monthly transmittal report. The January monthly transmittal report is due to DRS by the 15th of February. The 40 percent transfer payment will be applied to members' accounts on the second business day of March 1998.

**Note:** Please be aware that all reporting must be completed on time to ensure the transfer payment is applied to the members' accounts on the second business day of March 1998. This will result in members' receiving timely access to the 40 percent transfer payment and the market earnings to which they are entitled.

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## Members' Access to Defined Contribution Account Balance

**Q15:** When will the 40 percent transfer payment be applied to the TRS Plan 3 member's account?

**A15:** The 40 percent transfer payment will be applied to member's accounts on the business day of March 1998, however, members will not have access to the 40 percent transfer payment until March 4, 1998, and provided:

- all criteria for receiving the transfer payment have been met
- all transfer data has been processed at DRS with the completion of the January 1998 monthly transmittal report processing.

**Q16:** How will the 40 percent transfer payment be invested for the member?

**A16:** The 40 percent transfer payment will be applied to the investment program the member has on record with DRS at the time of transfer. If the January 1998 monthly transmittal report specifies the member's current contributions be invested in the Washington State Investment Board (WSIB) investment program, then the transfer payment will be forwarded to WSIB.

If the most recent record specifies the Self-Directed Investment Program, the contributions will be forwarded to ICMA Retirement Corporation (RC). The 40 percent transfer payment will be allocated to the current allocation specified on record. If the member has not established individual allocations in the self-directed program by 1:00 p.m. Pacific standard time, March 3, 1998, the 40 percent transfer payment will be allocated to the money market fund within the self-directed program. On March 4, 1998, the member is free to move the money as he or she wishes. Members can be contacted through their Automated Service Line at 1-888-711-1111 or on their Web-site at <http://www.icmarc.org/trs3> to select asset allocations.

## Additional Member Information

Below are the mailing dates for TRS Plan 3 communications scheduled for this fall:

- Week of September 15: RC will mail a video cassette with a cover letter to employers.

There are two videos on one cassette entitled "Fundamentals of Investing" and "TRS Plan 3 Investment Programs and Services." This information is being provided as an additional resource for members who are unable to attend one of RC's Investment Education seminars.

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- September 24: DRS will mail letters to members reminding them of the transfer deadline in order to receive the 40 percent transfer payment. The letter reiterates services available to aid them in making their decisions.
  - Week of October 20: DRS will mail the TRS Plan 3 Newsletter to members.
  - October 22: *Retirement Outlook* (formerly called *The DRS Bulletin*) will be mailed to employers.

We appreciate your assistance in distributing this information.

You can review information that RC is providing directly to TRS Plan 3 members by accessing their Web-site at <http://www.icmarc.org/trs3>. Look for the *TRS Plan 3 Member's Guide to Your Quarterly Statement*.

TRS Plan 3 financial modeling software is available from Educational Technologies, Inc. (ETI) to employers and members. The software can be downloaded from the Web-site at <http://www.fin-ed.com/trs2to3.shtml> or diskettes can be obtained by contacting ETI directly at 1-800-453-0321.

The DRS Web-site will be updated with each new DRS publication. If you need additional TRS Plan 2 and Plan 3 information, please contact the TRS Section at (360) 759-4700. If you need assistance reporting transfer information, please contact the Employer Support Services (ESS) Unit at (360) 753-8696.

Maureen West  
Chief of Operations

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## 1997 DRS Notices

For a copy of a Notice, call (360) 586-4515.

<b>Notice No.</b>	<b>Applies to/ Subject matter</b>
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97-001	<b>All Employers</b>
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Summary of 1997 Legislation.

97-002	<b>All Employers</b>
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New Reporting Procedures When Hiring Retirees

97-003	<b>All Employers</b>
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Contribution Rate Changes

97-004	<b>All LEOFF Employers</b>
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New Sections to WAC 415-104/Basic Salary for LEOFF Members

97-005	<b>All TRS Employers</b>
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Members' Annual Statements and Sequencing Information

97-006	<b>All TRS Employers</b>
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